



Mike DeWine, Governor
Jon Husted, Lt. Governor

Office of Budget and Management

Kimberly Murnieks, Director

April 1, 2023

The Honorable Matt Huffman, President
Ohio Senate
Statehouse, 1 Capitol Square, 2nd Floor
Columbus, Ohio 43215

Delivered via email

Dear President Huffman:

The Office of Budget and Management, through our role as chair of the Financial Planning and Supervision Commissions, assists municipal corporations, counties, and townships declared by the Auditor of State to be in Fiscal Emergency. Division (E) of section 118.07 of the Ohio Revised Code requires Financial Planning and Supervision Commissions to annually report progress made towards eliminating the conditions that led to Fiscal Emergency to you and to the Speaker of the House.

On behalf of all commissions in operation during the period April 1, 2022, through March 31, 2023, I submit the attached report.

I am happy to discuss the report and answer any questions that you have. I can be reached at 614-752-2579.

Very respectfully yours,

A handwritten signature in blue ink that reads "Kimberly A. Murnieks".

Kimberly A. Murnieks
Director

Attachment

c: The Honorable Nickie Antonio, Senate Minority Leader



Mike DeWine, Governor
Jon Husted, Lt. Governor

Office of Budget and Management

Kimberly Murnieks, Director

April 1, 2023

The Honorable Jason Stephens, Speaker
Ohio House of Representatives
77 S. High St., 14th Floor
Columbus, Ohio 43215

Delivered via email

Dear Speaker Stephens:

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Kimberly A. Murnieks
Director

Attachment

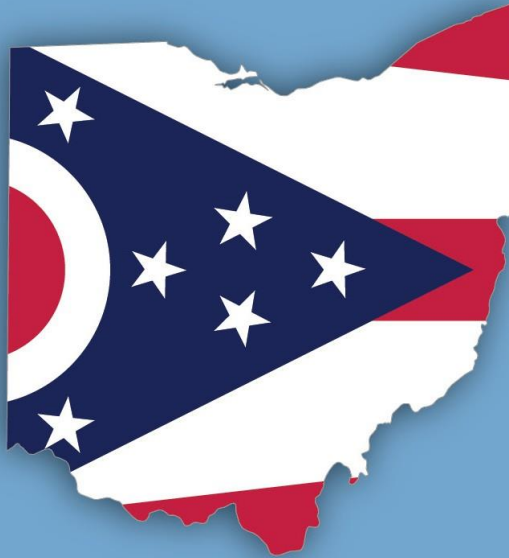
c: The Honorable C. Allison Russo, House Minority Leader



Mike DeWine, Governor
Jon Husted, Lt. Governor

**Office of Budget
and Management**

Kimberly Murnieks, Director



FINANCIAL PLANNING AND SUPERVISION COMMISSION ANNUAL REPORT 2023



Mike DeWine
Governor | State of Ohio



Jon Husted
Lt. Governor | State of Ohio



Kimberly Murnieks
Director | Ohio Office of
Budget and Management

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Reporting April 1, 2022 through March 31, 2023

Overview of Financial Planning and Supervision Commission and Statutory Reporting Requirements



The conditions under which a municipal corporation, county, or township may be declared in fiscal emergency and placed under the oversight of a financial planning and supervision commission are listed in the Appendix of this report. Each commission is comprised of seven members. Both the Director of Budget and Management (OBM) and the Treasurer of State (or their designees) serve as ex officio members and are voting members of the commission. In addition, the OBM Director or her designee serves as the commission's chairperson. The composition of the remaining members, however, varies depending on whether the entity in fiscal emergency is a municipal corporation, township, county, or a county that has adopted a charter under Article X of the Ohio Constitution. Furthermore, unless otherwise contracted for, the Auditor of State serves as the financial supervisor to each commission.

Section 118.07(E) of the Ohio Revised Code requires the OBM Director, as chairperson of the respective commissions, to provide an annual report to the Speaker of the House of Representatives and the President of the Senate on the progress made in eliminating fiscal emergency conditions for local governments that are in fiscal emergency. Therefore, in compliance with that requirement, this report provides information about each of the respective commissions in operation between April 1, 2022, and March 31, 2023.

Overview of Local Governments in Fiscal Emergency

The Office of Budget and Management chaired the following six financial planning and supervision commissions between April 1, 2022 and March 31, 2023. The Village of Mount Sterling (Madison County) was released from fiscal emergency on October 11, 2022, bringing the current number of active commissions to five:

- City of East Cleveland (Cuyahoga County);
- City of Fostoria (Seneca County);
- City of Norwood (Hamilton County);
- Village of Bridgeport (Belmont County); and
- Concord Township (Champaign County).

Effective September 29, 2011, the General Assembly amended Section 118.05 of the Revised Code to create a new form of oversight for villages or townships with populations under 1,000 that meet any of the six conditions for fiscal emergency. In lieu of a commission, the Auditor of State serves as the financial supervisor for the village or township and is vested with the powers and responsibilities of a commission. Six local governments in fiscal emergency met this standard and were not required to have a commission:

- Village of Trimble (Athens County);
- Village of Green Camp (Marion County);
- Village of Clarksville (Clinton County);
- Village of Grover Hill (Paulding County);
- Village of Risingsun (Wood County); and
- Village of Rutland (Meigs County).

Please refer to the Auditor of State's annual report for more detail about each of these villages.

Financial Planning and Supervision Commissions by Report Year (April 1 through March 31)

	2020	2021	2022	2023
Total Commissions	8	9	6	6
R.C. 118.05 Emergencies Established	1	0	0	0
Released from Fiscal Emergency	0	3	0	1

Note: The total financial planning and supervision commissions are as of April 1. R.C. Section 118.05 Emergencies Declared are the totals for the report year (April 1, 2022 through March 31, 2023). Villages and townships in fiscal emergency that are overseen by a financial supervisor pursuant to R.C. 118.05(L) instead of a commission (i.e., those local governments with populations under 1,000 that were placed into fiscal emergency post September 2011) are not reflected in this table.

During the past year, no local governments have been declared to be in fiscal emergency; therefore, no additional commissions have been established. The median length of time local governments in this report have been in fiscal emergency is five years and nine months. The longest length of time that a local government has been in fiscal emergency is ten years and six months.

Local Governments Successfully Released from Fiscal Emergency Since April 1, 2022

Brief Summary:

The Village of Mount Sterling had deficit fund balances of \$269,000 as of April 30, 2017, as noted when the Auditor of State declared the fiscal emergency. The village is also recovering from illegal financial actions of former village employees. The Auditor of State officially released the village from fiscal emergency on October 11, 2022.

Action Steps Taken:

- The village ended calendar year 2021 with a positive ending balance of more than \$963,000.
- Income tax revenues are healthy, in part due to more diligent collection efforts by the village.
- Village Council increased water rates effective January 1, 2019, to pay off debt to the Ohio Water Development Authority that was incurred by the renovation of the water treatment plant.
- As of August 2020, the village has cleared all comments on the Report of Accounting Methods.
- The village resolved an outstanding compliance issue with the Ohio Environmental Protection Agency.

Village of Mount Sterling
 Madison County



Population
1,783



Emergency Declared
6/22/2017

Emergency Released
10/11/2022

Local Governments Currently in Fiscal Emergency

Brief Summary:

When declared to be in fiscal emergency by the Auditor of State on October 9, 2012, the City of East Cleveland had deficit fund balances exceeding \$5.8 million. The city was previously in fiscal emergency from 1988 to 2006 and the financial uncertainty/instability that existed then continues today.

Despite continued erosion of income tax revenue, East Cleveland has benefited from the collection of revenue from traffic camera fines. However, Ohio Amended Substitute House Bill 62 of the 133rd General Assembly reduced local government fund distributions in an amount equal to the revenue collected from traffic camera fines unless those fines are collected in school zones. The City of East Cleveland has moved most of its traffic cameras into school zones to mitigate the impact of the law change but is mandated by law to use those revenues solely for school safety purposes. The city lost a suit against the state challenging the statutory changes implemented regarding traffic cameras and local government disbursements. See *Newburgh Hts. v. State*, 168 Ohio St.3d 513, 2022-Ohio-1642. The general fund will see a reduction in revenue of approximately \$1 million in the current fiscal year due to this change.

In addition to its revenue challenges, the city is facing a number of ongoing legal matters and judgments. For example, two recent court decisions have resulted in approximately \$14 million in damages that must be paid by the city, in addition to its outstanding liabilities exceeding \$50 million. Moreover, as of the date of this report, the city council is also faced with a disputed council seat, currently before the 8th District Court of Appeals for resolution. The city and the commission have not yet been able to make forward progress on adopting an updated financial plan.

The [Auditor of State's Report on Accounting Methods](#) documented that the city accounting practices are not standard best practices. The commission is now requiring a monthly update on the city's efforts to improve its practices.

Action Steps Taken:

- East Cleveland has increased garbage fees, leased a cellular tower, sold property, combined some job positions, and instituted a citywide layoff and salary freeze.
- It has also transferred cash from inactive funds via the general fund to reduce and/or eliminate deficit balances in all funds.
- East Cleveland started its own impound lot rather than contracting for this service.

City of East Cleveland Cuyahoga County



Population
13,792



Emergency Declared
10/9/2012

Outlook:

The city ended FY 2022 with a deficit in the permanent improvement fund and expenditures exceeding appropriations in many of the general fund line items.

The financial health of the city is largely dependent on the administration and city council reaching internal agreement regarding financial priority matters, final resolution of the legal cases referenced above, and improvements in accounting processes as outlined in the Report on Accounting Methods issued by the Auditor of State. It is not anticipated the city will be released from fiscal emergency in the upcoming year.

Brief Summary:

The City of Fostoria was declared to be in fiscal emergency as of May 26, 2016, when the Auditor of State determined the deficit fund balances were \$505,330. By the end of November 2022, the general fund had approximately \$8.4 million in cash.

Action Steps Taken:


- Voters approved a 6-mill levy, which increased revenue by approximately \$850,000 in 2018.
- Fostoria increased water and sewer fees to cover declining revenues and increased costs of operations.
- An updated Recovery Plan was passed by City Council in December 2022 and approved by the Commission in January 2023. The Plan incorporates the increased water and sewer fees and all funds have positive balances through 2027.

Outlook:


The city is in a stable financial position that could lead to release from fiscal emergency. Fostoria's water and sewer fee revenues were less than projected and, combined with an increase in the price of chemicals and other supplies, the city has had to increase its rates. This has impacted the city's release from fiscal emergency.

City of Fostoria

Seneca County



Population
13,046



Emergency Declared
5/26/2016

Brief Summary:

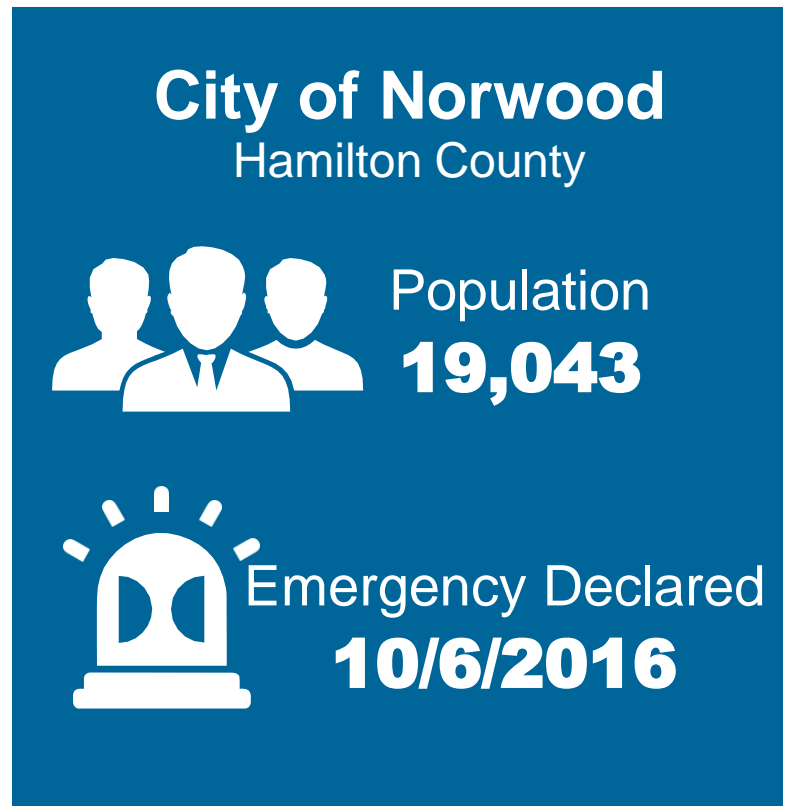
The City of Norwood was declared in fiscal emergency due to deficit general fund balances of \$38,000 as of December 2015, and \$260,000 as of June 2016. Norwood had previously been in fiscal watch from October 2004 until October 2016.

Action Steps Taken:

- At the end of 2022, the general fund's ending balance was \$8.7 million while Norwood's general fund expenditures totaled \$25.5 million.
- The city refunded debt obligations to reduce expenses.
- Norwood applied for and received a combination loan and grant from the Ohio Public Works Commission. The \$1.8 million will be used for street improvements and storm sewer upgrades.

Outlook:

The City of Norwood's finances are stable and the city continues to work on addressing the comments on the [Auditor of State's Report on Accounting Methods](#). While the city is making progress, it must continue to update its financial recovery plan until all comments have been addressed. The commission is scheduled to receive, review, and consider approval of the plan at the next meeting scheduled for April 11, 2023.



Brief Summary:

As of August 31, 2018, the Village of Bridgeport failed to make semi-annual payments on loans from the Ohio Water Development Authority and the Ohio Public Works Commission. Missed payments totaled \$90,636. In addition, village financial records were insufficient to meet accounting standards.

Action Steps:


- A review of prior year fiscal records was conducted, and the financial supervisor worked with the village to build appropriate financial records for FY 2019.
- Appropriations were increased in various funds during the October, November, and December 2020 meetings. The increases were for police equipment, COVID-19 relief funding, a renewal of liability insurance, and to help solve the village's water-related issues which began in the summer of 2020.
- Financial reports are now current through the end of December 2022.

Outlook:

The March 2022 plan projected all funds to be financially solvent by the end of calendar year 2023. A new recovery plan was approved in December 2022 to incorporate increases in water rates and a grant received by the police department. This plan could lead to the village being released from fiscal emergency by the end of 2023. An approved increase in rates has caused some purchasers of Bridgeport's water to look elsewhere and revenues have started to decline. The commission continues to monitor this revenue.

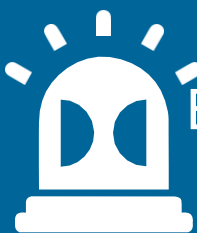
Village of Bridgeport

Belmont County



Population

1,569



Emergency Declared

12/4/2018

Brief Summary:

At the request of the Concord Township Board of Trustees, the Auditor of State's office conducted an analysis to determine if the fiscal condition of the Township had deteriorated to the point that a declaration of fiscal watch or fiscal emergency was appropriate. The analysis identified the existence of two fiscal emergency conditions: a deficit fund balance of \$63,941 as of December 31, 2019, and a treasury deficit exceeding one-sixth of the treasury receipts on December 31, 2019, by \$20,888. The Auditor of State declared the township to be in fiscal emergency on March 3, 2020.

Action Steps:


- The township reduced its deficit in the general fund to (\$17,461).
- Through the purchase of a new health insurance plan, the township achieved considerable savings.

Outlook:

The township continues to implement needed improvements to accounting practices and procedures. The deficit in the general fund has declined and with additional savings from a newly acquired health insurance plan, the general fund will likely attain a positive balance by the end of 2023.


Concord Township

Champaign County



Population

1,378



Emergency Declared

3/3/2020

APPENDIX

Conditions for Declaration and Termination of Fiscal Emergency

Section 118.03 of the Revised Code details the six conditions under which a municipal corporation, county, or township may be declared in fiscal emergency and placed under the oversight of a financial planning and supervision commission. These conditions are:

1. The existence of a default on any debt obligation for more than thirty days;
2. The failure for lack of cash in the funds to make payment of all payroll to employees in the amounts and at the times required by law, ordinances, resolutions, or agreements for more than thirty days after such time for payment or beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever occurs first;
3. An increase, by action of the county budget commission pursuant to division (D) of section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation, county, or township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts;
4. Either the existence of past due accounts payable from the general fund that were due and payable for at least thirty days at the end of the preceding fiscal year, or to which a penalty has been added for failure to pay at the end of the fiscal year. Such past due accounts payable must exceed one-sixth of the general fund budget for that year; or

The existence of past due accounts payable from all funds that were due and payable for at least thirty days at the end of the preceding fiscal year, or to which a penalty has been added for failure to pay at the end of the fiscal year. Such past due accounts payable must exceed one-sixth of available revenues during the preceding year, excluding nonrecurring receipts.

5. The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of the preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.
6. The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

Section 118.27 of the Revised Code details the necessary conditions a municipal corporation, county, or township must meet to release itself from fiscal emergency and thereby terminate a financial planning and supervision commission. Generally speaking, with the exception of dissolution alternatives for a village or township, each entity must have completed each of the following:

1. Planned and is in the process of good faith implementation of an effective financial accounting and reporting system, and it is reasonably expected that such implementation will be completed within two years;
2. Corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all fiscal emergency conditions and no new fiscal emergency conditions have occurred;
3. Met the objectives of the financial recovery plan described in R.C. 118.06; and
4. Prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State. The Auditor of State must render an opinion that the financial forecast is considered to be non-adverse.